

Measures to Promote Private Investments in Aging SOC Facilities

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Summary

1. (Necessity) The aging of social overhead capital (SOC) facilities, mostly developed in the 1970s through the 1990s, results in a growing need for facility upgrades and maintenance. However, the government's budget constraints are adding to safety and inefficiency issues.

2. (Current status) Under the Act on Public-Private Partnerships in Infrastructure, private capital is also allowed to participate in upgrading, expanding, or operating aging SOC facilities. However, the scope of projects or related regulations are not specified yet.

3 (Problems) Project uncertainties, negative perception among the public, the passive attitude by the government and related organizations, and an inaccurate evaluation system are detrimental to promoting private investments in aging SOC facilities.

4 (Overseas case studies) Australia is implementing various project methods supported by institutional frameworks such as the creation of a dedicated agency and guidelines, while the UK is aggressively pushing forward to upgrade its SOC facilities through private-public partnerships.

5 (Solutions) Private-public partnerships should be enhanced from the project identification and planning stage to support creativity and diversity in projects, and greater openness and engagement are needed to raise awareness about potential achievements and improve public perception.

Policy implications

1) The systematic maintenance and operation of the entire SOC infrastructure, including aging facilities, requires

the status checking of existing facilities, the establishment of evaluation standards, the clarification of job descriptions for project participants, and the creation and operation of an organization dedicated to project identification and planning.

2) The Act on Public-Private Partnerships in Infrastructure needs be revised with regard to the transfer of facility management and operation to the private sector, the imposition of rent and transfer fees, and incentive mechanism for project tendering.

3) Institutional frameworks need to be established to share project achievements and improve transparency through the issuance of inflation-indexed bonds and crowd funding.